

This record is a partial extract of the original cable. The full text of the original cable is not available.

020529Z Dec 03

UNCLAS SECTION 01 OF 02 HARARE 002329

SIPDIS

SENSITIVE

STATE FOR AF/S  
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER  
USDOC FOR 2037 DIEMOND  
TREASURY FOR OREN WYCHE-SHAW  
PASS USTR FLORIZELLE LISER  
STATE PASS USAID FOR MARJORIE COPSON

1E. O. 12958: N/A  
TAGS: [ECON](#) [EFIN](#) [EINV](#) [ETRD](#) [PGOV](#) [ZI](#)  
SUBJECT: Weary retailer asks, what next?

11. (U) Summary: A major Zimbabwe retailer has just lived through violent occupations, price controls, imperious ministers, high inflation and shortages of fuel, electricity and cash. Its Chief Operating Officer now wonders what more the GOZ can throw at him. End Summary.

12. (SBU) The Embassy's Economic/Commercial staff recently called on COO Albert Katsande of OK, a leading Zimbabwe supermarket/department store chain. Katsande cataloged for us a litany of challenges he has faced, a daunting statement about doing business in Robert Mugabe's Zimbabwe.

War Vets come to call

13. (SBU) A gang of haggard War Vets invaded OK's corporate offices three years ago. As they lounged around Katsande's executive office, downing his liquor, they forced the COO to sit on the floor and chant pro-ZANU-PF (the ruling party) slogans. They demanded he reinstate several dismissed employees, trying to extort funds from him for "revolutionary causes." When he finally convinced them to depart, they demanded taxi fare to return home. Over the next year, War Vets visited Katsande several more times, threatening to take him to ZANU-PF headquarters for interrogation. Police refused to chase the War Vets away.

The price patrols

14. (SBU) By late-2002, the GOZ had imposed extensive price controls. Unable to accept the diminished value of its currency, the GOZ set many prices below cost. OK's Katsande had to decide whether to sell creatively-repackaged goods, risking the GOZ's wrath. The worst, he recalls, were the so-called compliance cops. War vet, police and Zimbabwe Federation of Trade (the GOZ's labor body) inspectors constantly harassed store managers, insisting on bribes and sometimes hauling OK employees to jail. War Vets even took over the Masvingo store for several days (while looting the shelves).

Exchanges with the Minister

15. (SBU) In early 2003, Industry and Trade Minister Samuel Mumbengegwi went shopping at an OK outlet and complained to the manager that no sugar was on the shelves. To avoid a riot inside the store, the manager explained that OK would sell its limited supply of sugar from the backdoor at 10:00am. At that point, local police would arrive and control the mob of shoppers. An enraged Mumbengegwi complained that it was illegal for OK to keep a product off its shelves and threatened to revoke the store's operating license. Katsande finally stepped in, but he could not make Mumbengegwi, a GOZ hardliner, appreciate that OK was reluctant to market its wares at a loss. It only sold the small amount of controlled-price sugar it received each day.

Shoppers with no cash

16. (SBU) By mid-year, Zimbabwe's cash crisis was in full swing, OK's next great obstacle. The GOZ frequently accused OK of hoarding banknotes. After a time, the Reserve Bank required each OK store to submit a daily listing of all cash taken in, a bookkeeping nightmare. More and more shoppers paid with checks, which OK had little choice but to accept. Katsande reports many shoppers took advantage of banks' fast (and sloppy) check processing, submitting to OK checks that were unsupported by funds. Overstretched banks were taking a full three months to process checks. By the time OK could chase down the bad-check writers, it didn't matter if the customer made good on the debt - inflation had eroded the

money's value. While so-called "bearer checks" solved the cash crisis, Katsande says the larger, less-protected notes are generating a new rash of forgeries.

#### Mounting inflation

17. (SBU) With inflation spiraling, OK now readjusts prices each day. Every afternoon store managers are required to data-enter new prices that become effective at 8:00am the following morning. OK's head office is forced to take a new guess each day at the product's replacement cost, based on Zimbabwe's devaluing currency and increasingly inefficient infrastructure. (The fuel crisis often prevents freight companies from moving goods even short distances for days.)

#### Comment

18. (SBU) It's no small wonder that Zimbabwe's investment risk factor has hit stratospheric proportions. The government encourages lawlessness; expects companies to lose money; tolerates shortages of fuel, electricity, water or cash; enacts policies that keep inflation soaring and the zimdollar plunging. As OK's saga indicates, Zimbabwe's business environment is not for the fainthearted.

Sullivan